

## Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-07 COME-00 AID-05 OES-06

TRSE-00 OMB-01 FRB-03 CIAE-00 INR-07 NSAE-00 NRC-05

/051 W

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R 231445Z AUG 76

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 4675

INFO AMEMBASSY ATHENS

AMCONSUL ADANA

AMCONSUL ISTANBUL

AMCONSUL IZMIR

C O N F I D E N T I A L ANKARA 6487

E.O. 11652: GDS

TAGS: EFIN, PFOR, TU

SUBJ: EXIMBANK POLICY TOWARD TURKEY

REF: A) STATE 205539(NOTAL), B) STATE 205540 (NOTAL)

1. EMBASSY HAS NOTED BRIEF UNCLASSIFIED REFTELS AND WOULD APPRECIATE ADDITIONAL DETAILS AS TO (A) BASIS FOR EXIMBANK DECISION NOT TO PARTICIPATE IN ASIL CELIK PROJECT; (B) CURRENT THINKING ABOUT EXIMBANK PARTICIPATION IN LARGEST TURKISH INVESTMENT PROJECTS, SUCH AS A NUCLEAR POWER PLANT; AND(C) RATE OF INCREASE OF ADDITIONAL EXPOSURE IN TURKEY THAT EXIMBANK MIGHT BE WILLING TO CONSIDER IN FY 77. EMBASSY IS MINDFUL THAT PARTICIPATION IN NUCLEAR PWER PLANT PROJECT COULD INCREASE BY FACTOR OF TWO OR MORE EXIM EXPOSURE IN TURKEY AND APPRECIATES BANK'S RELUCTANCE.

2. WE NOTE THAT STEEL PLANT DECISION WAS MADE ON BASIS OF "ECONOMIC CONDITIONS IN TURKEY AT THIS TIME". SPREAD OF WORD IN BANKING CIRCLES THAT EXIM MAY HAVE MADE NEGATIVE JUDGEMENT REGARDING SOUNDNESS OF TURKISH ECONOMY COULD ADVERSELY AFFECT ABILITY OF TURKISH PUBLIC AND PRIVATE ENTERPRISES TO BORROW IN INTERNATIONAL CAPITAL MARKETS AND MIGHT COMPLICATE ROLLOVER AND/OR REPLACEMENT  
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OF TURKEY'S SUBSTANTIAL VOLUME OF SHORT-TERM LOANS. WE RECOMMEND

THAT FUTURE MESSAGES CONVEYING NEGATIVE JUDGEMENTS OF THIS NATURE  
BE TRANSMITTED IN CLASSIFIED FORM.

3. WHILE WE HAVE PULLED NO PUNCHES IN OUR REPORTING, EMBASSY MUST  
POINT OUT THAT WE DO NOT CONSIDER TURKISH ECONOMY TO BE IN CRITICAL  
CONDITION BY ANY MEANS. WHILE COUNTRY OBVIOUSLY HAS SERIOUS BALANCE  
OF PAYMENTS PROBLEMS, THESE ARE DUE PRINCIPALLY TO DELIBERATE POLICY  
OF ENCOURAGING PRIVATE AND PUBLIC SECTOR IMPORTS OF INVESTMENT GOODS.  
TURKEY, WHICH HAS MAINTAINED HIGH GROWTH RATE THROUGH THE '70'S,  
REGISTERED ONE OF HIGHEST IN WORLD IN 1975-7.9 PERCENT. GOVERNMENT  
ESTIMATED EARLIER THAT TRADE AND CURRENT ACCOUNTS AND OVERALL BALANCE  
WILL SHOW LOWER DEFICITS THIS YEAR THAN LAST; PARTIAL FIGURES FOR  
1976, ANNUALIZED, INDICATE GENERALLY THAT THESE EXPECTATIONS REMAIN  
REASONABLE. TRADE DEFICIT THIS YEAR WAS FORECAST AT \$2.9 BILLION  
COMPARED TO \$3.3 BILLION IN 1975; TRADE DEFICIT FOR FIRST SIX MONTHS  
1976 WAS \$1.2 BILLION. SIMILARLY, CURRENT ACCOUNT DEFICIT IS  
EXPECTED TO DIMINISH FROM \$1.9 BILLION IN 1975 TO \$1.4 BILLION THIS  
YEAR; CURRENT ACCOUNT DEFICIT FOR FIRST FOUR MONTHS WAS \$489 MILLION.  
DEFICIT IN OVERALL BALANCE IS EXPECTED TO DECLINE TO \$950 MILLION  
FROM \$1.3 BILLION LAST YEAR; OVERALL DEFICIT WAS \$392 MILLION  
JANUARY-APRIL THIS YEAR.

4. DESPITE TURKEY'S BALANCE-OF-PAYMENTS PROBLEMS, BANKING COMMUNITY  
APPEARS CONFIDENT THAT SITUATION IS NOT OUT OF HAND. EMBASSY IS  
UNAWARE OF ANY PROBLEMS ENCOUNTERED BY GOT IN ROLLING OVER OR  
REPLACING ESTIMATED \$1.4 BILLION IN SHORT-TERM CREDITS. FURTHER-  
MORE, TURKISH STATE DEVELOPMENT BANK (DEVLET YATIRIM BANKASI)  
RECEIVED \$150-MILLION EURO-LOAN AUGUST 13 WITH MAJOR AMERICAN  
BANK PARTICIPATION (ANKARA 6296). RECORD OF GOT IN MEETING  
ITS INTERNATIONAL FINANCIAL OBLIGATIONS IS EXCELLENT.  
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## Message Attributes

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